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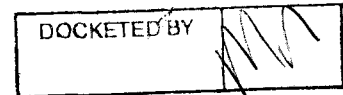
AZ CORP COMMISSION
DOCKET CONTROL

March 4, 2009

Arizona Corporation Commission
DOCKETED

MAR 10 2009

Arizona Corporation Commission
Docket Control
1200 W. Washington Street
Phoenix, AZ 85007



RE: Docket Nos. T-00000D-00-0672 and T-01051B-03-0454

Dear Docket Officer:

Enclosed for filing the the Arizona Corporation Commission you will find an original and 15 copies of the Reply Comments of Sprint Communications L.P. in Response to February 3, 2009 Procedural Order in the above-referenced dockets. A copy of this document has been served upon all parties of record.

Please feel free to contact me at 415-572-8358 or at stephen.h.kukta@sprint.com with any questions or concerns you may have regarding this filing.

Very truly yours,

Stephen. Kukta

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE INVESTIGATION OF THE
COST OF TELECOMMUNICATIONS ACCESS.

Docket No. T-00000D-00-0672

IN THE MATTER OF QWEST CORPORATION'S FILING
OF RENEWED PRICE REGULATORY PLAN.

Docket No. T-01051B-03-0454

**REPLY COMMENTS OF SPRINT COMMUNICATIONS L.P.
IN RESPONSE TO FEBRUARY 3, 2009 PROCEDURAL ORDER**

Pursuant to the Procedural Order entered in these dockets dated February 3, 2009, Sprint Communications L.P., Sprint Spectrum, L.P., and Nextel West Corp, (collectively "Sprint") provides reply comments concerning whether Qwest's intrastate access rates should be reviewed in this proceeding. Sprint firmly believes the current intercarrier compensation system is in urgent need of reform. High switched access rates are inhibiting the development of a fully competitive telecommunications market. If a review of Qwest's high access rates is excluded from this proceeding, Arizona consumers would be denied a fully competitive telecommunications market. Sprint urges the Commission to include Qwest in the Commission's review of intrastate switched access rates.

Competition and Consumers Are Harmed by High Switched Access Rates

All carriers providing voice communication services in Arizona must use switched access to terminate non-local calls to Qwest customers and other local exchange carrier ("LEC") customers. This includes traffic originated by wireless providers, who must pay terminating access on wireless calls to landline customers when such calls cross Metropolitan Trading Area ("MTA") boundaries, even though wireless carriers do not collect access charges on toll calls received from other carriers, including local exchange carriers. Because these LEC switched access services are an essential input to the services other carriers are providing, these other carriers' input costs are increased by inflated LEC access rates.

Consumers have more choices for their voice communications needs than when the incumbent local exchange carriers ("ILECs") were the monopoly providers. Most consumers have a choice between alternative carriers providing cable telephony, traditional competitive LEC ("CLEC") service, wireless service, and Voice Over Internet Protocol (VoIP) service. But each of these alternative carriers must pay inflated access rates to Arizona LECs. Because these carriers must cover their input costs to earn a profit, inflated intrastate switched access costs are raising the prices of competitive retail offers available in the market. Consumers are not receiving the best offers in the market because high switched access rates, originally meant to keep local service affordable, are now inflating the retail rates for alternative services. Competing carriers cannot compete on an equal footing with local exchange carriers if local exchange carriers are permitted to impose on their competitors input costs that are far above the actual cost of providing those functions. If the switched access rates are reduced, the market will provide consumers with better service offerings to compete with the incumbent providers.

The Historic Context for High Access Rates No Longer Exists

Access prices were historically inflated as a mechanism to subsidize the price of basic local service in a regulated monopoly setting. But this interplay between local service rates and intrastate access services rates was established long before ILECs developed the ability to collect revenues from numerous other services provisioned over the same network on which they provide local exchange and exchange access services. The original access rates were also set long before ILECs were permitted new retail revenue opportunities through retail pricing flexibility. Within their service territories, ILECs now offer wireline long distance, numerous new calling features, broadband and video services.¹ These services are often bundled together to provide the consumer's complete service needs. The average revenue per usage ("ARPU") the ILECs collect continues to expand. To illustrate this trend, Qwest reported in their 4th quarter 2008 financial reports that consumer ARPU had reached \$56.78 up from \$46.76 reported in the 1st quarter of 2006. Over a two year period, Qwest's consumer ARPU increased nearly 21%. This historic trend of retail revenue growth and the potential for further growth in the future makes the collection of subsidies from competing carriers in the form of grossly inflated access rates unnecessary and anti-competitive. The local exchange carriers can and should collect the costs of providing retail services from the customers purchasing those retail services instead of collecting a portion of those costs from competitors by charging inflated rates for monopoly switched access. This change is essential to developing a level competitive playing field for all service providers.

Arizona Switched Access Rates Too High

There is no doubt that Arizona intrastate switched access rates are too high. Qwest's nearly \$.02 per minute rate is among the highest rate for the largest LEC in any state. And the

¹ Video services may not be offered over the same local network as voice service but the margins on the services sold provide a contribution toward the cost of that local network.

rates of the other local exchange carriers drive Sprint's average cost of an intrastate access minute in Arizona well over \$.03 per minute. This average cost is the tenth highest state average intrastate access rate Sprint pays. The average cost Sprint experiences in the neighboring state of New Mexico is less than half the Arizona rate. Reform is essential to the development of a level competitive playing field and must include the reform of Qwest's rates.

Conclusion

The intrastate switched access rates of the ILECs in Arizona are far too high. Reform of the access rates is critical to the development of balanced competition in the Arizona telecommunications market. Only when access rates are minimized will the Arizona consumers receive the most service choices, the best consumer service and services at the best prices. The consumers of Arizona will benefit from reductions in local exchange carriers' switched access charges. To exclude the largest local exchange carrier operating in Arizona from this proceeding would limit the consumer benefits or at least delay a result that is long overdue. Sprint strongly recommends the inclusion of Qwest in this proceeding to reform the intrastate switched access rates of Arizona.

RESPECTFULLY SUBMITTED this 4th day of March 2009.

By



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CERTIFICATE OF SERVICE

I hereby certify that I have this 4th day of March 2009 served the foregoing Reply Comments of Sprint Communications L.P. in Response to February 3, 2009 Procedural Order upon all parties in Docket Nos. T-00000D-00-0672 and T-01051B-03-0454 by placing a copy of said document into the U.S. Mail, postage prepaid.

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